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SUBJECT: SENATOR HAGEL'S JANUARY 16 MEETING WITH FORMER RUSSIAN  
DEPUTY PRIME MINISTER YEGOR GAIDAR

1. This message is sensitive but unclassified and not for Internet distribution.

Summary

2. (SBU) In a January 16 meeting with Senator Chuck Hagel (R-Nebraska) and the Ambassador, Former Deputy Prime Minister and Director of the Institute for the Economy in Transition (IET) Yegor Gaidar offered his candid perspective on a wide range of issues affecting U.S.-Russian relations. Although he extolled the years of economic growth under Putin, he expressed concern that the country's political development had not kept pace. Gaidar also urged the U.S. to seize the opportunity that might arise after the Russian presidential inauguration in May to find common ground on issues such as missile defense and Iran's nuclear program. End Summary.

Russia's Domestic Policy Outlook

3. (SBU) Gaidar observed that Russia's current economic health was an achievement of long-term efforts but was in danger of becoming a victim of its own success. On the one hand, senior economic policy officials deserved credit for fostering growth and for working to integrate Russia into the global economy. On the other hand, however, the political elite had not prepared the country for the difficulties brought on by economic expansion. For instance, Gaidar said, decision makers overreacted last fall to concerns about higher-than-expected inflation by adopting a price controls program in the run-up to the Duma elections. He speculated that, in light of the stream of real GDP growth results averaging 6-7 percent per year since 2000, decision makers might overreact again if economic growth were to be slower than expected in the next year or two.

4. (SBU) Gaidar also said he was uneasy about the upcoming presidential election and the transfer of power. Fear of low voter turnout had already prompted the beginning of a nationwide campaign to increase participation. Duma delegations from regions that had furnished high voter turnout during the December elections had been rewarded with prestigious committee assignments, Gaidar noted, and might expect similar treatment for the March election. He cast doubt on the presumptive next president's potential for successfully managing his oversight responsibility of the country's security ministries and agencies. He speculated that First Deputy Prime Minister Medvedev's relative lack of experience with that side of the government might require further organizational changes.

Gaidar's View of U.S.-Russian Relations

5. (SBU) Gaidar said that the U.S.-Russian relationship was at a critical juncture. He explained that many in the liberal camp who were sympathetic to strengthening bilateral ties had become frustrated by the perception that the U.S. tries to dictate "what

Russia should and should not do." Discussions with this kind of "intonation" had proved to be "a big help to the opponents of liberal elites." He urged both governments to continue cooperating on security issue and to foster greater informal ties through increased cultural, educational, and business exchanges.

¶6. (SBU) Gaidar cautioned that U.S. policy makers needed to consider the scope of Russia's negative sentiment toward the U.S. He emphasized that reaching common ground was possible on critical issues such as Iran and missile defense, and suggested that U.S. policy makers be more cooperative approach on these and other policy questions. The country's anti-American environment, part genuine, part rhetoric, stemmed from a perception of excessive U.S. unilateralism and had been on the rise since Operation Allied Force in the Balkans in 1999. He said that, despite official expressions of this sentiment, the presidential advisors and Cabinet officials who would take office in May would be willing to work with their U.S. counterparts to find common ground.

¶7. (U) This message has been cleared by Senator Hagel's staff.

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